INDIANA HOUSING FINANCE AUTHORITY

Financial Statements

December 31, 2002 and 2001

(With Independent Auditors' Report Thereon)

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INDEPENDENT AUDITORS' REPORT
UNQUALIFIED OPINION ON FINANCIAL STATEMENTS

The Board of Directors
Indiana Housing Finance Authority:

We have audited the individual statements of net assets of the major funds of the Indiana Housing Finance Authority (Authority), a component unit of the State of Indiana, as of December 31, 2002 and 2001 and the related individual statements of revenues, expenses and changes in net assets and cash flows for the years then ended. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the individual financial positions of the major funds of the Indiana Housing Finance Authority as of December 31, 2002 and 2001 and the individual results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards*, we have also issued our report dated February 28, 2003 on our consideration of the Indiana Housing Finance Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

The schedule of funding progress and employer contributions on page 45 is not a required part of the basic financial statements, but is supplementary information required by the Governmental Accounting Standards Board, and we did not audit and do not express an opinion on such information. We have applied to the schedule of funding progress and employer contributions, certain limited procedures prescribed by professional standards, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the schedule.

KPMG LLP

Indianapolis, Indiana
February 28, 2003

INDIANA HOUSING FINANCE AUTHORITY

Management's Discussion and Analysis

December 31, 2002 and 2001

(Unaudited)

This section of the Indiana Housing Finance Authority's (Authority) annual financial report presents management's discussion and analysis of financial position and the results of operations during the fiscal years ended December 31, 2002 and 2001. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments.* This analysis should be read in conjunction with the Independent Auditors' Report, financial statements and accompanying notes.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purpose. The financial transactions of the Authority are recorded in the funds which consist of a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses as appropriate. The Authority is a self-supporting entity and follows enterprise fund reporting. The Authority is considered a component unit of the State of Indiana and is discretely presented in the State's Financial Statements.

Financial Highlights

The assets of the Authority exceeded its liabilities at December 31, 2002 by $199 million compared to $154 million at December 31, 2001. Net assets at December 31, 2002 consist of $139.4 million restricted by bond indentures, $3.0 million restricted by funding sources, and $56.5 million which is available to meet the obligations of the Authority's operations.

Total assets increased by $58.4 million (5 percent) during 2002 from $1,141 million to $1,199 million due to the increase of $25.2 million in the mortgage loan portfolio which includes new loans funded with current year bond proceeds and a $34 million increase in non-mortgage investments resulting from the bond issuances and loan repayments.

The Authority's largest liability, total bonds payable, increased by $13.7 million (1 percent) during 2002 from $984.0 million to $997.6 million.

The total change in net assets in 2002 was $45.2 million consisting of operating income of $40.6 million and total non-operating income of $4.6 million.

In 2002, total operating revenues were $241.9 million which includes interest income on mortgage loans of $53.9 million, federal program income of $128.9 million, interest income on investments of $11.1 million, a net increase in the fair value of securities of $35.0 million, $11.5 million in fee income and $1.5 million of other income.

Total operating expenses in 2002 were $201.3 million which includes $57.3 million of interest expense on bonds, $128.9 million of direct federal program expenses, $10.9 million of general and administrative expense, $3.4 million of amortization of debt issuance costs and $.8 million of other expenses.

INDIANA HOUSING FINANCE AUTHORITY

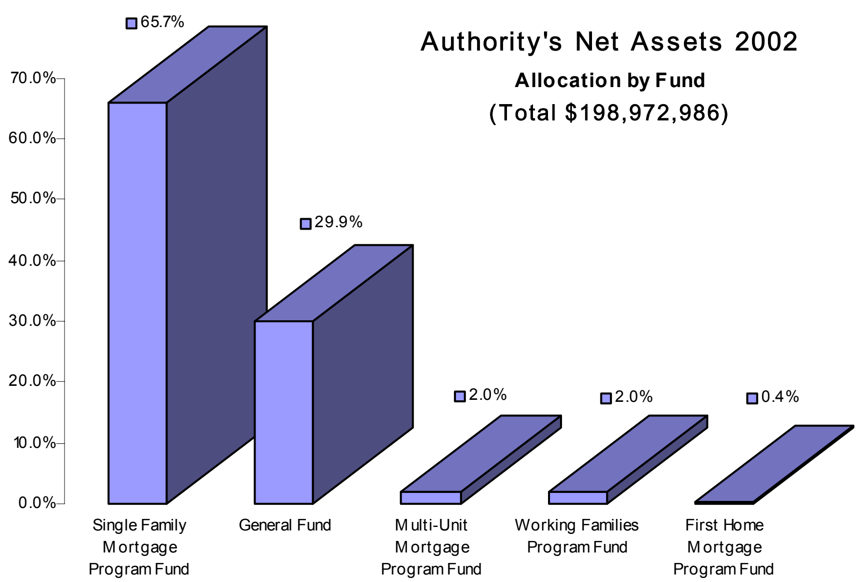
Management's Discussion and Analysis

December 31, 2002 and 2001

(Unaudited)

Financial Condition

The Authority operates within financial policies and guidelines set by the members of the Board. These guidelines require the Authority to maintain adequate liquid asset levels, good mortgage portfolio performance and a sufficient level of unrestricted net assets. Total net assets as of December 31, 2002 increased 29.4% to \$199.0 million from \$153.8 million in the previous year. Unrestricted net assets increased \$7.3 million or 14.9% from the prior year, comprising 4.7% of total assets and 28.4% of total net assets. Total assets grew \$58.4 million or 5.1% from the prior year.



INDIANA HOUSING FINANCE AUTHORITY

Management's Discussion and Analysis

December 31, 2002 and 2001

(Unaudited)

Financial Analysis

The following table is a condensed summary of net assets at December 31, 2002 and 2001 (in thousands):

		2002	2001	Change	Percentage
Assets					
Current assets	$	54,488	46,492	7,996	17.2%
Noncurrent assets		1,144,905	1,094,500	50,405	4.6%
Total assets		1,199,393	1,140,992	58,401	5.1%
Liabilities					
Current liabilities		15,926	15,146	780	5.1%
Noncurrent liabilities		984,494	972,052	12,442	1.3%
Total liabilities		1,000,420	987,198	13,222	1.3%
Net assets					
Restricted		142,456	104,625	37,831	36.2%
Unrestricted		56,517	49,169	7,348	14.9%
Total net assets	$	198,973	153,794	45,179	29.4%

Operating Analysis

The following table is a condensed summary of operating income for the years ended December 31, 2002 and 2001 (in thousands):

		2002	2001	Change	Percentage
Operating Revenues					
Interest on loans	$	53,919	54,322	(403)	-0.7%
Interest on investments		11,131	11,792	(661)	-5.6%
Program revenues		140,521	117,226	23,295	19.9%
Net increase in fair value of investments		34,999	12,110	22,889	189.0%
Other operating revenue		1,329	1,066	263	24.7%
Total operating revenues		241,899	196,516	45,383	23.1%
Operating Expenses					
Total interest expense		57,594	55,634	1,960	3.5%
Program expenses		132,833	109,131	23,702	21.7%
Other operating expenses		10,883	9,903	980	9.9%
Total operatingexpenses		201,310	174,668	26,642	15.3%
Operating income	$	40,589	21,848	18,741	85.8%

Interest income on mortgage loans, interest income on investments, the net increase in fair value of securities, fee income, and federal grant income represent the significant sources of operating revenue for the Authority.

Interest income on mortgage loans of $53.9 million for 2002 decreased compared to $54.3 million for 2001. This decrease is due to lower interest rates on outstanding mortgage loans in the Single Family Mortgage Program Fund.

Interest income on investments of $11.1 million for 2002 decreased compared to $11.8 million. The decrease is due to lower rates on investments during the current year consistent with general economic conditions.

The change in fair value of securities for 2002 was $35 million compared to $12.1 million in 2001. This represents an increase in the overall fair value of investments held at December 31, 2002 compared to their fair value at December 31, 2001 due to current interest rate environment. Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* requires the Authority to value its securities at market value with the change in fair value reported as operating revenue. The change in the fair value of securities is an unrealized gain in market value and has no direct effect on actual cash flows.

Fee income of $11.5 million for the current year increased compared to $9.5 million in the prior year primarily as a result of additional fees earned under the Authority's contract with the U.S. Department of Housing and Urban Development to perform certain tasks for Section 8 Contract Administration and an increase in loan purchases in the Single Family loan program.

Total interest expense on bonds is $57.3 million in 2002 compared to $55.3 million in 2001. Increased interest expense is a result of an increase in total bonds outstanding due to the issuance in 2002 of five series of mortgage revenue bonds under the Single Family Indenture.

Total general and administrative expense is $10.9 million compared to $9.9 million in 2001. The increase is primarily due to additional expense incurred to perform the tasks required for Section 8 Contract Administration.

Federal program income and expense represent funds received and disbursed relating to projects funded by the U.S. Department of Housing and Urban Development Section 8 Contract Administration, Community Development Block Grant, HOME Investment Partnership, and other federal programs totaling $128.9 million in 2002.

Nonoperating Activities

Interest income on investments for the General Fund is presented as nonoperating activity and totaled $2.9 million for 2002 compared to interest income on investments of $3.3 million in this fund in 2001. The decrease in income is primarily due to decreased interest rates consistent with the current interest rate environment.

Debt Administration

Total current and noncurrent bonds payable as of December 31, 2002 is $997.6 million which increased $13.7 million compared to December 31, 2001. This increase was due to the issuance in 2002 of five series of mortgage revenue bonds under the Single Family Indenture totaling $249.9 million offset by $236.2 million of repayments and redemptions of bonds previously issued by the Authority. The Authority has maintained its long-term bond ratings of Aaa from Moody's Investors Services and AAA from Fitch IBCA. More detailed information about the Authority's debt is presented in Note 6 to the financial statements.

The following table summarizes the 2002 mortgage revenue bond issuances:

Single Family Mortgage Revenue Bonds	Tax-Exempt Amount	Taxable Amount	Total	Moody's Rating	Fitch Rating
2002 Series A	$ 40,000,000	—	40,000,000	Aaa	AAA
2002 Series B	40,000,000	—	40,000,000	Aaa	AAA
2002 Series C	45,690,000	—	45,690,000	Aaa	AAA
2002 Series D	40,000,000	5,000,000	45,000,000	Aaa	AAA
2002 Series E	79,205,000	—	79,205,000	Aaa	AAA
Total	$ 244,895,000	5,000,000	249,895,000		

Economic Factors and Other Financial Information

The primary business activity of the Authority is funding the purchase of single-family home mortgages. The Authority's mortgage financing activities are sensitive to the level of interest rates, the spread between the rate available on Authority loans and those available in the conventional mortgage markets and the availability of affordable housing. The availability of long-term tax-exempt financing on favorable terms is a key element in providing the funding necessary for the Authority to continue its mortgage financing activities.

The Authority's single-family programs and investment income are the main sources of revenues. Market interest rates have an effect on both the single family program and investment income revenues. If interest rates continue at current levels, the Authority expects single family and investment income to be stable or decrease slightly. If interest rates rise, the Authority expects single family and investment income to increase as new loans are originated and new investments are purchased at the higher levels. If interest rates fall, the Authority expects single family and investment income to decrease as new loans are originated and new investments are purchased at the lower levels. The Authority also expects a drop in market rates to cause an increase in prepayments on higher rate mortgages. The Authority uses these prepayments to call the corresponding series bonds, which lowers the rate of return on those bond series.

Contacting the Authority's Financial Management

This financial report is designed to provide the citizens of Indiana, our constituents and investors with a general overview of the Authority's finances and resources. If you have questions about this report or need additional financial information, contact the Director of Finance at Indiana Housing Finance Authority, 115 West Washington Street Suite 1350, Indianapolis, IN 46204 or visit our website at www.in.gov/ihfa/.

INDIANA HOUSING FINANCE AUTHORITY

Statements of Net Assets

December 31, 2002 and 2001

Assets		General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
		2002					
Current Assets							
Cash and investments	$	52,897,103	—	—	—	—	52,897,103
Accrued interest receivable:							
Investments		348,056	—	—	—	—	348,056
Mortgage loans		23,000	—	—	—	—	23,000
Accounts receivable and other assets		1,219,730	—	—	—	—	1,219,730
Total current assets		54,487,889	—	—	—	—	54,487,889
Noncurrent Assets							
Restricted cash and investments		2,479,515	258,620,737	5,118,852	734,174	2,501,359	269,454,637
Mortgage loans receivable (note 5)		2,629,529	—	—	—	—	2,629,529
Restricted mortgage loans receivable (note 5)		—	802,096,327	22,807,386	8,609,568	25,888,487	859,401,768
Less unamortized commitment fees		(27,964)	(141,545)	(484,595)	—	—	(654,104)
Net mortgage loans receivable		2,601,565	801,954,782	22,322,791	8,609,568	25,888,487	861,377,193
Restricted accrued interest receivable:							
Investments		—	606,538	22,282	35,938	—	664,758
Mortgage loans		—	4,058,379	97,032	42,111	136,210	4,333,732
Deferred debt issuance costs, net		379,400	7,744,626	46,962	27,426	185,616	8,384,030
Capital assets, at cost, less accumulated depreciation		88,367	—	—	—	—	88,367
Restricted accounts receivable and other assets		525,916	76,421	—	—	—	602,337
Interfund accounts		735,770	(700,572)	(8,323)	(3,102)	(23,773)	—
Total noncurrent assets		6,810,533	1,072,360,911	27,599,596	9,446,115	28,687,899	1,144,905,054
Total assets	$	61,298,422	1,072,360,911	27,599,596	9,446,115	28,687,899	1,199,392,943
Liabilities							
Current Liabilities							
Bonds payable (note 6)	$	—	13,125,000	327,000	240,000	270,000	13,962,000
Accrued interest payable		—	473,625	83,942	—	—	557,567
Accounts payable and other liabilities (note 8)		996,411	—	—	—	—	996,411
Commitment fee deposits		409,921	—	—	—	—	409,921
Total current liabilities		1,406,332	13,598,625	410,942	240,000	270,000	15,925,899
Noncurrent Liabilities							
Bonds payable (note 6)		—	927,725,000	23,183,000	8,455,000	24,310,000	983,673,000
Less original issue discount		—	(56,199)	(75,055)	—	—	(131,254)
Net noncurrent bonds payable		—	927,668,801	23,107,945	8,455,000	24,310,000	983,541,746
Other liabilities (note 8)		281,388	401,517	128,977	—	140,430	952,312
Total noncurrent liabilities		281,388	928,070,318	23,236,922	8,455,000	24,450,430	984,494,058
Total liabilities		1,687,720	941,668,943	23,647,864	8,695,000	24,720,430	1,000,419,957
Net Assets							
Invested in capital assets		88,367	—	—	—	—	88,367
Restricted by bond indenture		—	130,691,968	3,951,732	751,115	3,967,469	139,362,284
Restricted by funding source		3,005,431	—	—	—	—	3,005,431
Unrestricted		56,516,904	—	—	—	—	56,516,904
Total net assets	$	59,610,702	130,691,968	3,951,732	751,115	3,967,469	198,972,986

INDIANA HOUSING FINANCE AUTHORITY

Statements of Net Assets (Continued)

December 31, 2002 and 2001

	2001					
Assets	**General Fund**	**Single Family Mortgage Program Fund**	**Multi-Unit Mortgage Program Fund**	**First Home Mortgage Program Fund**	**Working Families Program Fund**	**Total**
Current Assets						
Cash and investments	$ 44,802,562	—	—	—	—	44,802,562
Accrued interest receivable:						
Investments	333,742	—	—	—	—	333,742
Mortgage loans	31,000	—	—	—	—	31,000
Accounts receivable and other assets	1,324,344	—	—	—	—	1,324,344
Total current assets	46,491,648	—	—	—	—	46,491,648
Noncurrent Assets						
Restricted cash and investments	3,305,827	231,729,951	5,841,487	248,798	1,880,094	243,006,157
Mortgage loans receivable (note 5)	3,498,578	—	—	—	—	3,498,578
Restricted mortgage loans receivable (note 5)	—	749,703,341	39,389,228	10,697,281	33,614,139	833,403,989
Less unamortized commitment fees	(41,596)	(214,188)	(512,484)	—	—	(768,268)
Net mortgage loans receivable	3,456,982	749,489,153	38,876,744	10,697,281	33,614,139	836,134,299
Restricted accrued interest receivable:						
Investments	—	603,545	22,281	36,758	—	662,584
Mortgage loans	—	4,120,626	215,900	54,761	184,038	4,575,325
Deferred debt issuance costs, net	158,000	7,863,548	1,163,173	38,889	260,044	9,483,654
Capital assets, at cost, less accumulated depreciation	268,422	—	—	—	—	268,422
Restricted accounts receivable and other assets	298,420	71,441	—	—	—	369,861
Interfund accounts	753,293	(708,150)	(8,984)	(4,037)	(32,122)	—
Total noncurrent assets	8,240,944	993,170,114	46,110,601	11,072,450	35,906,193	1,094,500,302
Total assets	$ 54,732,592	993,170,114	46,110,601	11,072,450	35,906,193	1,140,991,950
Liabilities						
Current Liabilities						
Bonds payable (note 6)	$ —	11,705,000	195,000	290,000	355,000	12,545,000
Accrued interest payable	—	696,261	544,672	—	—	1,240,933
Accounts payable and other liabilities (note 8)	673,240	—	—	—	—	673,240
Commitment fee deposits	686,672	—	—	—	—	686,672
Total current liabilities	1,359,912	12,401,261	739,672	290,000	355,000	15,145,845
Noncurrent Liabilities						
Bonds payable (note 6)	—	886,775,000	41,995,000	10,425,000	32,245,000	971,440,000
Less original issue discount	—	(63,373)	(84,167)	—	—	(147,540)
Net noncurrent bonds payable	—	886,711,627	41,910,833	10,425,000	32,245,000	971,292,460
Other liabilities (note 8)	331,463	158,298	128,943	—	140,430	759,134
Total noncurrent liabilities	331,463	886,869,925	42,039,776	10,425,000	32,385,430	972,051,594
Total liabilities	1,691,375	899,271,186	42,779,448	10,715,000	32,740,430	987,197,439
Net Assets						
Invested in capital assets	268,422	—	—	—	—	268,422
Restricted by bond indenture	—	93,898,928	3,331,153	357,450	3,165,763	100,753,294
Restricted by funding source	3,604,247	—	—	—	—	3,604,247
Unrestricted	49,168,548	—	—	—	—	49,168,548
Total net assets	$ 53,041,217	93,898,928	3,331,153	357,450	3,165,763	153,794,511

See accompanying notes to financial statements.

INDIANA HOUSING FINANCE AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets

For the years ended December 31, 2002 and 2001

	2002						
	General Fund	Single Family Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Operating revenues:							
Interest income on mortgage loans	$ 329,949	48,568,527	—	2,493,889	594,405	1,931,934	53,918,704
Interest income on investments	—	10,612,629	—	210,187	58,720	249,513	11,131,049
Commitment fee amortization	13,632	72,643	—	27,889	—	—	114,164
Fee income	11,517,289	—	—	—	—	—	11,517,289
Federal program income	128,890,456	—	—	—	—	—	128,890,456
Net increase (decrease) in fair value of investments	185,491	33,638,896	—	102,232	370,192	701,850	34,998,661
Other income	1,328,860	—	—	—	—	—	1,328,860
Total operating revenues	142,265,677	92,892,695	—	2,834,197	1,023,317	2,883,297	241,899,183
Operating expenses:							
Interest expense on bonds	—	52,543,250	—	2,239,509	604,931	1,944,029	57,331,719
Interest expense on bank loans	261,885	—	—	—	—	—	261,885
Amortization of debt issuance costs	78,600	2,079,225	—	1,116,211	11,463	74,428	3,359,927
Servicing fees on mortgage loans	11,793	64,021	—	160,074	—	—	235,888
Federal program expenses	128,890,456	—	—	—	—	—	128,890,456
Arbitrage expense	—	347,240	—	—	—	—	347,240
General and administrative expenses	8,386,006	2,076,065	—	344,766	13,258	63,134	10,883,229
Total operating expenses	137,628,740	57,109,801	—	3,860,560	629,652	2,081,591	201,310,344
Operating income	4,636,937	35,782,894	—	(1,026,363)	393,665	801,706	40,588,839
Nonoperating revenues (expenses):							
Interest income on investments	2,942,694	—	—	—	—	—	2,942,694
Other (notes 1 and 7)	—	—	—	1,646,942	—	—	1,646,942
Total nonoperating revenues (expenses)	2,942,694	—	—	1,646,942	—	—	4,589,636
Income before transfers	7,579,631	35,782,894	—	620,579	393,665	801,706	45,178,475
Transfers	(1,010,146)	1,010,146	—	—	—	—	—
Change in net assets	6,569,485	36,793,040	—	620,579	393,665	801,706	45,178,475
Net assets, beginning of year	53,041,217	93,898,928	—	3,331,153	357,450	3,165,763	153,794,511
Net assets, end of year	$ 59,610,702	130,691,968	—	3,951,732	751,115	3,967,469	198,972,986

INDIANA HOUSING FINANCE AUTHORITY

Statements of Revenues, Expenses, and Changes in Net Assets (Continued)

For the years ended December 31, 2002 and 2001

	2001						
	General Fund	**Single Family Mortgage Program Fund**	**GNMA Mortgage Program Fund**	**Multi-Unit Mortgage Program Fund**	**First Home Mortgage Program Fund**	**Working Families Program Fund**	**Total**
Operating revenues:							
Interest income on mortgage loans	$ 403,409	48,118,565	—	2,679,137	724,119	2,396,488	54,321,718
Interest income on investments	—	11,196,794	—	348,064	63,472	183,254	11,791,584
Commitment fee amortization	51,506	91,299	—	6,350	—	—	149,155
Fee income	9,536,920	—	—	—	—	—	9,536,920
Federal program income	107,540,334	—	—	—	—	—	107,540,334
Net increase (decrease) in fair value of investments	755,474	10,572,392	—	(23,835)	64,006	742,058	12,110,095
Other income	1,051,564	14,469	—	—	—	—	1,066,033
Total operating revenues	119,339,207	69,993,519	—	3,009,716	851,597	3,321,800	196,515,839
Operating expenses:							
Interest expense on bonds	—	49,830,166	—	2,448,026	730,657	2,280,316	55,289,165
Interest expense on bank loans	344,972	—	—	—	—	—	344,972
Amortization of debt issuance costs	81,093	1,078,588	—	58,122	18,024	44,207	1,280,034
Servicing fees on mortgage loans	14,678	94,954	—	125,237	—	—	234,869
Federal program expenses	107,540,334	—	—	—	—	—	107,540,334
Arbitrage expense	41,995	33,686	—	—	—	—	75,681
General and administrative expenses	7,431,363	2,060,282	—	315,912	14,778	80,835	9,903,170
Total operating expenses	115,454,435	53,097,676	—	2,947,297	763,459	2,405,358	174,668,225
Operating income	3,884,772	16,895,843	—	62,419	88,138	916,442	21,847,614
Nonoperating revenues (expenses):							
Interest income on investments	3,329,789	—	—	—	—	—	3,329,789
Other (notes 1 and 7)	(1,600,000)	—	—	(170,303)	—	—	(1,770,303)
Total nonoperating revenues (expenses)	1,729,789	—	—	(170,303)	—	—	1,559,486
Income before transfers	5,614,561	16,895,843	—	(107,884)	88,138	916,442	23,407,100
Transfers	4,353,423	710,635	(5,064,058)	—	—	—	—
Change in net assets	9,967,984	17,606,478	(5,064,058)	(107,884)	88,138	916,442	23,407,100
Net assets, beginning of year	43,073,233	76,292,450	5,064,058	3,439,037	269,312	2,249,321	130,387,411
Net assets, end of year	$ 53,041,217	93,898,928	—	3,331,153	357,450	3,165,763	153,794,511

See accompanying notes to financial statements.

INDIANA HOUSING FINANCE AUTHORITY

Statements of Cash Flows (Continued)

For the years ended December 31, 2002 and 2001

	2002						
	General Fund	Single Family Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Cash flows from operating activities:							
Cash receipts for services	$ 12,790,777	—	—	—	—	—	12,790,777
Interest income on mortgage loans	337,949	48,630,774	—	2,612,757	607,055	1,979,762	54,168,297
Principal repayments on mortgage loans	869,049	168,666,981	—	16,581,843	2,457,905	8,427,503	197,003,281
Interest received on investments	—	10,609,636	—	210,187	59,540	249,513	11,128,876
Federal revenue	128,890,456	—	—	—	—	—	128,890,456
Federal expenses	(128,890,456)	—	—	—	—	—	(128,890,456)
Purchases of mortgage loans	—	(188,631,558)	—	—	—	—	(188,631,558)
Cash payments to suppliers	(6,148,654)	(2,249,086)	—	(504,806)	(13,258)	(63,134)	(8,978,938)
Cash payments to employees	(2,098,931)	—	—	—	—	—	(2,098,931)
Interfund transfers	(992,623)	1,002,568	—	(661)	(935)	(8,349)	—
Net cash provided by operating activities	4,757,567	38,029,315	—	18,899,320	3,110,307	10,585,295	75,381,804
Cash flows from noncapital financing activities:							
Proceeds from bond issues	—	249,895,000	—	—	—	—	249,895,000
Payments on collateralized bank loans	—	—	—	—	—	—	—
Debt issuance costs incurred	(300,000)	(1,960,304)	—	—	—	—	(2,260,304)
Repayments and redemption of bonds	—	(207,525,000)	—	(18,680,000)	(2,020,000)	(8,020,000)	(236,245,000)
Interest paid on bonds and bank loans	(261,885)	(52,758,713)	—	(2,691,128)	(604,931)	(1,944,029)	(58,260,686)
Contribution from Pedcor	—	—	—	155,784	—	—	155,784
Payment to Indiana Affordable Housing	—	—	—	1,491,158	—	—	1,491,158
Down Payment Assistance Fund distribution	—	—	—	—	—	—	—
Trust Fund distribution	—	—	—	—	—	—	—
Net cash used in noncapital financing activities	(561,885)	(12,349,017)	—	(19,724,186)	(2,624,931)	(9,964,029)	(45,224,048)
Cash flows from capital financing activities:							
Purchases of capital assets	(16,318)	—	—	—	—	—	(16,318)
Net cash used in capital financing activities	(16,318)	—	—	—	—	—	(16,318)
Cash flows from investing activities:							
Purchases of investments	(21,180,000)	(37,576,844)	—	—	(613,060)	(707,037)	(60,076,941)
Interest received on investments	2,914,064	—	—	—	—	—	2,914,064
Proceeds from sales or maturities of investments	17,549,231	—	—	947,134	—	—	18,496,365
Net cash provided by (used in) investing activities	(716,705)	(37,576,844)	—	947,134	(613,060)	(707,037)	(38,666,512)
Increase (decrease) in cash and cash equivalents	3,462,659	(11,896,546)	—	122,268	(127,684)	(85,771)	(8,525,074)
Cash and cash equivalents, beginning of year	8,825,278	26,296,847	—	3,358,027	157,603	100,565	38,738,320
Cash and cash equivalents, end of year	$ 12,287,937	14,400,301	—	3,480,295	29,919	14,794	30,213,246

(Continued)

INDIANA HOUSING FINANCE AUTHORITY

Statements of Cash Flows (Continued)

For the years ended December 31, 2002 and 2001

		2002						
		General Fund	**Single Family Mortgage Program Fund**	**GNMA Mortgage Program Fund**	**Multi-Unit Mortgage Program Fund**	**First Home Mortgage Program Fund**	**Working Families Program Fund**	**Total**
Reconciliation of cash and cash equivalents:								
Current cash and investments as presented in the statement of net assets	$	52,897,103	—	—	—	—	—	52,897,103
Restricted cash and investments as presented in the statement of net assets		2,479,515	258,620,737	—	5,118,852	734,174	2,501,359	269,454,637
Total cash and investments as presented in the statement of net assets		55,376,618	258,620,737	—	5,118,852	734,174	2,501,359	322,351,740
Less: investments with maturities greater than three months		43,088,681	244,220,436	—	1,638,557	704,255	2,486,565	292,138,494
Cash and cash equivalents as presented in the statement of cash flows	$	12,287,937	14,400,301	—	3,480,295	29,919	14,794	30,213,246
Reconciliation of operating income to net cash provided by operating activities:								
Operating income	$	4,636,937	35,782,894	—	(1,026,363)	393,665	801,706	40,588,839
Adjustments to reconcile operating income to cash provided by operating activities:								
Change in fair value of investments		(185,491)	(33,638,896)	—	(102,232)	(370,192)	(701,850)	(34,998,661)
Interest on bonds and bank loans		261,885	52,536,077	—	2,230,398	604,931	1,944,029	57,577,320
Amortization and write-off of debt issuance costs and discount amortization		92,914	2,083,406	—	1,125,322	12,283	74,428	3,388,353
Amortization of nonrefundable fee income		(13,632)	(72,643)	—	(27,889)	—	—	(114,164)
Depreciation		196,373	—	—	—	—	—	196,373
Changes in assets and liabilities:								
Nonrefundable fees received and commitment fee deposits		(276,750)	—	—	—	—	—	(276,750)
Purchases of mortgage loans		—	(188,631,558)	—	—	—	—	(188,631,558)
Principal repayments on mortgage loans		869,049	168,666,981	—	16,581,842	2,457,905	8,427,503	197,003,280
Accrued interest receivable on loans		8,000	62,247	—	118,868	12,650	47,828	249,593
Other assets		(122,882)	(4,980)	—	—	—	—	(127,862)
Accounts payable and other liabilities		283,787	243,219	—	35	—	—	527,041
Interfund accounts		17,523	(7,578)	—	(661)	(935)	(8,349)	—
Interfund transfer		(1,010,146)	1,010,146	—	—	—	—	—
Net cash provided by operating activities	$	4,757,567	38,029,315	—	18,899,320	3,110,307	10,585,295	75,381,804

(Continued)

INDIANA HOUSING FINANCE AUTHORITY

Statements of Cash Flows (Continued)

For the years ended December 31, 2002 and 2001

	2001						
	General Fund	**Single Family Mortgage Program Fund**	**GNMA Mortgage Program Fund**	**Multi-Unit Mortgage Program Fund**	**First Home Mortgage Program Fund**	**Working Families Program Fund**	**Total**
Cash flows from operating activities:	$						
Cash receipts for services	11,665,359	—	—	—	—	—	11,665,359
Interest income on mortgage loans	404,409	47,831,245	—	2,691,722	733,718	2,426,337	54,087,431
Principal repayments on mortgage loans	683,860	80,065,619	—	329,181	1,859,593	5,259,616	88,197,869
Interest received on investments	—	11,180,145	—	348,064	51,524	183,254	11,762,987
Federal revenue	107,540,334	—	—	—	—	—	107,540,334
Federal expenses	(107,540,334)	—	—	—	—	—	(107,540,334)
Purchases of mortgage loans	—	(123,746,363)	—	(759,325)	—	—	(124,505,688)
Cash payments to suppliers	(5,103,300)	(2,141,635)	—	(441,116)	(14,778)	(80,835)	(7,781,664)
Cash payments to employees	(2,187,871)	—	—	—	—	—	(2,187,871)
Interfund transfers	731,762	741,394	(1,467,126)	(111)	(707)	(5,212)	—
Net cash provided by operating activities	6,194,219	13,930,405	(1,467,126)	2,168,415	2,629,350	7,783,160	31,238,423
Cash flows from noncapital financing activities:							
Proceeds from bond issues	—	160,690,000	—	—	—	—	160,690,000
Payments on collateralized bank loans	(12,228,000)	—	—	—	—	—	(12,228,000)
Debt issuance costs incurred	—	(1,336,727)	—	—	—	—	(1,336,727)
Repayments and redemption of bonds	—	(69,285,000)	—	(430,000)	(2,170,000)	(4,610,000)	(76,495,000)
Interest paid on bonds and bank loans	(347,748)	(49,680,628)	—	(2,444,707)	(730,657)	(2,280,316)	(55,484,056)
Contribution from Pedcor	—	—	—	303,518	—	—	303,518
Payment to Indiana Affordable Housing	—	—	—	(473,821)	—	—	(473,821)
Down Payment Assistance Fund distribution	(500,000)	—	—	—	—	—	(500,000)
Trust Fund distribution	(1,100,000)	—	—	—	—	—	(1,100,000)
Net cash provided by (used in) noncapital financing activities	(14,175,748)	40,387,645	—	(3,045,010)	(2,900,657)	(6,890,316)	13,375,914
Cash flows from capital financing activities:							
Purchases of capital assets	63,683	—	—	—	—	—	63,683
Net cash provided by capital financing activities	63,683	—	—	—	—	—	63,683
Cash flows from investing activities:							
Purchases of investments	(41,150,000)	(62,132,202)	—		—	(1,107,129)	(104,389,331)
Interest received on investments	4,480,266	—	—	—	—	—	4,480,266
Proceeds from sales or maturities of investments	51,982,040	—	—	1,140,339	376,879	—	53,499,258
Net cash provided by (used in) investing activities	15,312,306	(62,132,202)	—	1,140,339	376,879	(1,107,129)	(46,409,807)
Increase (decrease) in cash and cash equivalents	7,394,460	(7,814,152)	(1,467,126)	263,744	105,572	(214,285)	(1,731,787)
Cash and cash equivalents, beginning of year	1,430,818	34,110,999	1,467,126	3,094,283	52,031	314,850	40,470,107
Cash and cash equivalents, end of year	$ 8,825,278	26,296,847	—	3,358,027	157,603	100,565	38,738,320

(Continued)

INDIANA HOUSING FINANCE AUTHORITY

Statements of Cash Flows (Continued)

For the years ended December 31, 2002 and 2001

	2001						
	General Fund	**Single Family Mortgage Program Fund**	**GNMA Mortgage Program Fund**	**Multi-Unit Mortgage Program Fund**	**First Home Mortgage Program Fund**	**Working Families Program Fund**	**Total**
Reconciliation of cash and cash equivalents:							
Current cash and investments as presented in the statement of net assets	$ 44,802,562	—	—	—	—	—	44,802,562
Restricted cash and investments as presented in the statement of net assets	3,305,827	231,729,951	—	5,841,487	248,798	1,880,094	243,006,157
Total cash and investments as presented in the statement of net assets	48,108,389	231,729,951	—	5,841,487	248,798	1,880,094	287,808,719
Less: investments with maturities greater than three months	39,283,111	205,433,104	—	2,483,460	91,195	1,779,529	249,070,399
Cash and cash equivalents as presented in the statement of cash flows	$ 8,825,278	26,296,847	—	3,358,027	157,603	100,565	38,738,320
Reconciliation of operating income to net cash provided by (used in) operating activities:							
Operating income	$ 3,884,772	16,895,843	—	62,419	88,138	916,442	21,847,614
Adjustments to reconcile operating income to cash provided by (used in) operating activities:							
Change in fair value of investments	(539,755)	(10,572,392)	—	23,835	(53,523)	(742,058)	(11,883,893)
Gain on sale of investments	83,825	—	—	—	—	—	83,825
Interest on bonds and bank loans	344,972	49,821,637	—	2,441,176	730,657	2,280,316	55,618,758
Amortization and write-off of debt issuance costs and discount amortization	81,092	1,070,468	—	64,973	6,076	44,206	1,266,815
Amortization of nonrefundable fee income	(51,506)	(91,299)	—	(6,350)	—	—	(149,155)
Depreciation	86,658	—	—	—	—	—	86,658
Changes in assets and liabilities:							
Nonrefundable fees received and commitment fee deposits	419,303	—	—	—	—	—	419,303
Purchases of mortgage loans	—	(123,746,363)	—	(759,325)	—	—	(124,505,688)
Principal repayments on mortgage loans	683,860	80,065,619	—	329,181	1,849,110	5,259,616	88,187,386
Accrued interest receivable on loans	1,000	(287,320)	—	12,585	9,599	29,850	(234,286)
Other assets	(52,087)	(868)	—	—	—	—	(52,955)
Accounts payable and other liabilities	520,323	33,686	—	32	—	—	554,041
Interfund accounts	(22,681)	30,759	(2,048)	(111)	(707)	(5,212)	—
Interfund transfer	754,443	710,635	(1,465,078)	—	—	—	—
Net cash provided by (used in) operating activities	$ 6,194,219	13,930,405	(1,467,126)	2,168,415	2,629,350	7,783,160	31,238,423

See accompanying notes to financial statements.

(1) Authorizing Legislation and Funds

The Indiana Housing Finance Authority (the Authority) was created in 1978 by an act of the Indiana Legislature (the Act). The Authority has been given numerous powers under the Act, including the power to enter into contracts and agreements, acquire, hold and convey property and issue notes and bonds, for the purpose of financing residential housing for persons and families of low and moderate incomes.

The powers of the Authority are vested by the Act in seven members, four of whom are appointed by the Governor and three of whom serve by virtue of holding other state offices. The three ex-officio members are the Director of Department of Commerce, the Treasurer of State and Director of the Department of Financial Institutions. By statute, the Lieutenant Governor is Director of the Indiana Department of Commerce. The Lieutenant Governor and Treasurer of State hold elective positions, and the Director of the Department of Financial Institutions holds an appointive position at the pleasure of the Governor. The Authority is considered a component unit of the State of Indiana and is discretely presented in the State's Financial Statements as determined by the Indiana State Board of Accounts.

The Act empowers the Authority to (1) make or participate in the making of construction loans and mortgage loans to sponsors of federally assisted multi-family residential housing; (2) purchase or participate in the purchase from mortgage lenders, mortgage loans made to persons of low and moderate income for residential housing; and (3) make loans to mortgage lenders for the purpose of furnishing funds to be used for making mortgage loans to persons and families of low and moderate incomes. The Act authorizes the Authority to issue its bonds and notes to carry out its purposes, and neither the Act nor the Bond Trust Indentures establish any limitation as to the aggregate amount of obligations which the Authority may have outstanding.

The Authority's financial statements include the operations of funds that the Authority has established to achieve its purposes under powers granted to it by the Act. The financial transactions of the Authority are recorded in the funds which consist of a separate set of self-balancing accounts that comprise its assets, liabilities, net assets, revenues and expenses as appropriate. The Authority's resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which financial activity is controlled. Each of the Authority's funds described below are considered major funds.

General Fund

The General Fund was established by the Authority to account for all fee income and charges which are not required to be recorded in other funds and for operating expenses of the Authority. In addition, this fund accounts for the federal grant activity of the Authority. In 2002 and 2001, the Authority elected to set aside $55,626,300 and $45,407,750, respectively, of its single family bonding authority for the issuance of Mortgage Credit Certificates primarily to first time home buyers.

Single Family Mortgage Program Fund

The Single Family Mortgage Program Fund provides for the purchase of mortgage loans made to eligible borrowers for owner occupied housing. Borrowers meeting certain income guidelines may qualify under the Authority's First Home Plus Program. This program is facilitated by a Down Payment Assistance Program from the federal HOME Investment Fund which allows the borrower to receive up to 10% of down payment assistance money. This down payment assistance money is in the form of a non-amortizing second mortgage at a 0% interest rate which is forgivable after five years. The Authority has issued fifty series of Single Family Mortgage Program Bonds (see note 6).

Commencing in June 1980, the Authority entered into mortgage purchase agreements with certain commercial banks, savings and loan associations and mortgage banking companies admitted to do business in the State of Indiana whereby the lenders agreed to originate mortgage loans on newly constructed and existing dwellings meeting criteria established by the Authority and to sell them to the Authority.

Multi-Unit Mortgage Program Fund

This fund, established in 1982 under the Multi-Unit Mortgage Program Resolution, uses bond proceeds to provide construction and long-term financing for certain federally assisted multi-unit housing developments intended for occupancy by families and persons of low and moderate incomes. The Authority has issued four series of Multi-Unit Program Bonds and is the special purpose issuer for two series (see note 6).

The Multi-Family Housing Mortgage Revenue Bonds are limited and special obligations of the Authority payable solely from the payments on the mortgage note, certain other payments under the Building Loan Agreement made by the owner and required debt service reserves of the issue. Neither the Bonds nor the obligation to pay the principal or interest thereon constitutes an indebtedness of the Authority or the State of Indiana.

In December 1999, the Authority, as a special purpose issuer, issued $18,190,000 of Multi-Family Housing Revenue Bonds (Indiana Affordable Housing) under a separate closed indenture, which are included in these financial statements as part of the Authority’s Multi-Unit Mortgage Program Fund. The proceeds of the bonds were used to originate a mortgage loan to finance the acquisition and rehabilitation of five HUD 236 properties located throughout the State of Indiana. The bonds were backed solely by the revenues from these properties. Fannie Mae provided a credit enhancement on the loan which ensured the timely payment of principal and interest on payments on the mortgage loan. The mortgage loan went into default in July 2001. Fannie Mae completed the foreclosure process in 2002. As a result of the foreclosure, FNMA repaid the mortgage loan. The proceeds were used to call the bonds as of December 31, 2002, resulting in a gain of $1,491,158.

In August of 1997, the Authority, as a special purpose issuer, issued $10,000,000 of Multi-Family Housing Mortgage Revenue Bonds (Cumberland Crossing) under a separate closed indenture, which are included in these financial statements as a part of the Authority’s Multi-Unit Mortgage Program Fund. The proceeds of the bonds were used to originate a mortgage loan to construct a new multi-family residential rental facility containing 232 apartment units. The expended funds are subject to the terms of a loan agreement dated July 1, 1997, and the bonds are secured by two letters of credit issued by the Federal Home Loan Bank that expire August 21, 2007. Pedcor Investments 1997 XXX LP (Pedcor) is responsible for the bond payments from a source of funds outside of the Authority. During 2002 and 2001, Pedcor contributed $155,783 and $303,558, respectively, in order for the full amount of the bond payments to be made.

In April of 1992, the Authority, as a special purpose issuer, issued $7,230,000 of Multi-Family Housing Mortgage Revenue Bonds (Hunter's Run) under a separate closed indenture, which are included in these financial statements as a part of the Authority’s Multi-Unit Mortgage Program Fund. The proceeds of the bonds, after funding the required reserves, were used by the project owner to acquire and rehabilitate an existing multi-family residential rental facility containing 304 apartment units. The expended funds are subject to a mortgage loan amortizable over 40 years commencing October 1, 1993. The permanent mortgage is insured by the Federal Housing Administration pursuant to the provisions of Section 221 (d) (4) of the National Housing Act of 1934.

First Home Mortgage Program Fund

Established in 1994, the First Home Indenture provides for the purchase of low-income mortgage loans which are securitized by the Federal National Mortgage Association (FNMA) which guarantees the timely payment of principal and interest. FNMA is a federally chartered stockholder-owned, privately managed corporation which works to provide liquidity to the residential mortgage market. The FNMA Certificates are collateralized by mortgage loans made to qualified persons and families of low income to finance the acquisition of single family residences in the State of Indiana. This program was facilitated by a Down Payment Assistance Program from the federal HOME Investment Fund, which provided a 20% second mortgage at 0% interest. Therefore, the Authority offered 100% financing to all participants in this program. The Authority has issued four series in this Indenture which were privately placed with FNMA.

Working Families Program Fund

Established in December of 1994, this Indenture originally provided for the preservation of bond volume in the short term. A portion of the Convertible Option Bonds (COB) were remarketed into a single family mortgage program within this Indenture. The loans of the program are collateralized by FNMA and GNMA certificates. As a part of the remarketing of the COB, in July 1996 the Authority issued two series within this Indenture. Approximately eighty percent of the bond proceeds are utilized under the same guidelines as the Authority’s Single Family Mortgage Program Fund.

The remaining twenty percent of the bond proceeds have been set aside for a special program referred to as the Working Families Program. This program allows for down payment assistance of 10% in addition to the 10% assistance described in the Single Family Mortgage Program Fund. The source of these additional funds is the positive arbitrage earned under the original COB investments and bonds. These arbitrage funds are loaned to the qualified borrower at 0% and are payable to the Authority upon payoff of the first mortgage.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The Authority's financial statements have been prepared on the accrual basis of accounting and using the economic resource management focus. Accordingly, the Authority recognizes revenue in the period earned and expenses in the period incurred.

In accordance with the provisions of the Governmental Accounting Standards Board (GASB) Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, the Authority has elected, in addition to applying Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board opinions, and Accounting Research Bulletins issued on or before November 30, 1989, to apply all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements.

The Authority adopted GASB Statement No. 34, *Basic Financial Statements – and Managements Discussion and Analysis – for State and Local Governments* (Statement No. 34) in 2001. Statement No. 34 requires the Authority to make several changes to the presentation of its basic financial statements in addition to requiring the section for Management's Discussion and Analysis as required supplementary information to precede the financial statements. In order to comply with the requirements of Statement No. 34, in 2001 the statement of net assets was modified to report a classified statement of net assets; the statement of revenues, expenses, and changes in net assets was formatted to report operating and nonoperating revenues and expenses; and the statement of cash flows was prepared using the direct method.

(b) Investment Securities

The Authority reports its investments securities at fair value in accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* (Statement No. 31). Statement No. 31 requires investment securities, including mortgage-backed securities, to be recorded at fair value and the unrealized gains or losses reported in the Statement of Revenues, Expenses, and Changes in Net Assets. Realized gains or losses were computed as the difference between the proceeds of investment sales and the original cost of the investments sold. The calculation of realized gains or losses is independent of the calculation of the net change in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year(s) and the current year. Realized gain in the General Fund amounted to $5,346 and $83,825 for the years ended December 31, 2002 and 2001, respectively.

Following is a summary of the effects of valuing investment securities at fair value on total assets, net assets and change in net assets for 2002 and 2001:

		Total Assets			
		2002		2001	
		Fair Value	Cost	Fair Value	Cost
General Fund	$	61,298,422	59,542,115	54,732,592	53,156,431
Single Family Mortgage Program Fund		1,072,360,911	1,035,302,309	993,170,114	989,750,406
Multi-Unit Mortgage Program Fund		27,599,596	27,349,641	46,110,601	45,962,878
First Home Mortgage Program Fund		9,446,115	9,001,433	11,072,450	10,997,960
Working Families Program Fund		28,687,899	27,361,809	35,906,193	35,281,954
Total	$	1,199,392,943	1,158,557,307	1,140,991,950	1,135,149,629

		Net Assets			
		2002		2001	
		Fair Value	Cost	Fair Value	Cost
General Fund	$	59,610,702	57,854,395	53,041,217	51,465,056
Single Family Mortgage Program Fund		130,691,968	93,633,366	93,898,928	90,479,220
Multi-Unit Mortgage Program Fund		3,951,732	3,701,777	3,331,153	3,183,430
First Home Mortgage Program Fund		751,115	306,433	357,450	282,960
Working Families Program Fund		3,967,469	2,641,379	3,165,763	2,541,524
Total	$	198,972,986	158,137,350	153,794,511	147,952,190

		Income Before Transfers			
		2002		2001	
		Fair Value	Cost	Fair Value	Cost
General Fund	$	7,579,631	7,399,485	5,614,561	4,942,912
Single Family Mortgage Program Fund		35,782,894	2,143,998	16,895,843	6,323,451
Multi-Unit Mortgage Program Fund		620,579	518,347	(107,884)	(84,049)
First Home Mortgage Program Fund		393,665	23,473	88,138	24,132
Working Families Program Fund		801,706	99,856	916,442	174,383
Total	$	45,178,475	10,185,159	23,407,100	11,380,829

(c) Bond Issuance Costs

Bond issuance costs are deferred and amortized over the contractual life of the respective bond issue based on the interest method.

(d) Original Issue Discounts

Original issue discounts on bonds are amortized using the interest method, over the life of the bonds to which they relate.

(e) Capital Assets

Capital assets consist primarily of office furniture and equipment in the general fund which are stated at cost less accumulated depreciation. Depreciation is calculated on the straight-line method over the estimated useful lives of the assets which range from three to seven years.

A summary of capital assets (in thousands) being depreciated follows:

		Balance at December 31, 2001	Increases	Decreases	Balance at December 31, 2002
Building improvements	$	57	—	—	57
Furniture and equipment		1,465	16	—	1,481
Total accumulated depreciation		(1,254)	(196)	—	(1,450)
Total capital assets being depreciated, net of accumulated depreciation	$	268	(180)	—	88

		Balance at December 31, 2000	Increases	Decreases	Balance at December 31, 2001
Building improvements	$	57	—	—	57
Furniture and equipment		1,402	63	—	1,465
Total accumulated depreciation		(1,040)	(214)	—	(1,254)
Total capital assets being depreciated, net of accumulated depreciation	$	419	(151)	—	268

(f) Fair Value of Financial Instruments

The fair value of the Authority's financial instruments either approximate fair value or are stated at fair value except for bonds payable. It is not practicable to estimate the fair value of the Authority's bonds payable because of the lack of quoted market prices and the inability to estimate fair value without incurring excessive costs.

(g) Operating and Nonoperating Revenues

The Authority records all revenues derived from mortgages, and federal programs as operating revenues since these revenues are generated from the Authority's daily operations needed to carry out its statutory purpose. Investment income in the General Fund is recorded as nonoperating revenue while investment income in all other funds is recorded as operating.

(h) Fee Income

Nonrefundable fees received (commitment and buy-down fees) in excess of direct costs associated with originating mortgage loans are deferred and recognized over the life of the mortgage loans. Fees for Mortgage Credit Certificate and Mortgage Revenue Bond Programs are recorded as fee income in the General Fund as certificates are issued. Low Income Housing Tax Credit fees are recognized as applications are submitted. The Authority also receives certain administrative fees for a federal grant program which are recorded as earned.

(Continued)

(i) Provision for Possible Loan Losses

No provision for possible loan losses has been made because the Authority has purchased mortgage pool insurance on its loans, or they are fully insured by the FHA, as described in note 5. The remaining loans have been pooled into FNMA or GNMA mortgage-backed securities which ensures the timely payment of principal and interest on the underlying mortgage loans.

(j) Bonds, Bank Loans and Interest Payable

Bond principal, bank loan principal and interest payments due and paid on January 1 of the following fiscal year are considered paid as of December 31.

(k) Allocation of Expenses Among Funds

The Single Family, GNMA, First Home, Multi-Unit Mortgage, and Working Families Programs, provide that funds may be transferred to the General Fund for the purpose of paying reasonable and necessary program expenses.

(l) Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents include cash on hand and on deposit and investments with a maturity of three months or less.

(m) Use of Estimates

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires estimates and assumptions that affect the reported amount of assets and liabilities and contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(n) Net Assets

The Authority's resources are classified for accounting and financial reporting purposes into the following net asset categories:

- *Invested in Capital Assets* – resources resulting from capital acquisition, net of accumulated depreciation.
- *Restricted by Bond Indenture* – net assets subject to externally imposed stipulations as to use. These net assets are restricted to use for the purposes of the Authority's loan programs projects.
- *Unrestricted* – net assets which are available for use of the System.
- *Restricted by Funding Source* – net assets subject to externally imposed stipulations as to use. These net assets are restricted for use for the purposes of certain loan programs.

(3) Restricted Cash and Restricted Investments

The Trust Indentures between the Authority and the Program Trustee established special accounts for the segregation of assets and restriction of the use of bond proceeds and certain other funds received. As of December 31, 2002 and 2001, the assets of all accounts equaled or exceeded the requirements as established by the Indentures. Such assets are restricted for the following purposes:

	December 31, 2002						
	General Fund	Single Family Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total	December 31, 2001 Total
Refundable Reservation Fee Escrow Accounts	$ 409,921	—	—	—	—	409,921	686,672
Loan or Bond Proceeds Accounts - Payment of issuance costs and purchase of qualified mortgage loans	—	134,144,908	—	—	209,871	134,354,779	114,230,402
Revenue Accounts-Deposit of Program revenues for debt service payments and Program expense disbursements		98,054,732	1,385,902	734,174	2,291,488	102,466,296	96,639,394
Mortgage Reserve Accounts-Payment of expenses incurred in protecting the Authority's interest in mortgage loans, including property repair and improvement	31,596	2,306,257	165,857	—	—	2,503,710	2,493,744
Debt Service Reserve Accounts-Equal to the maximum annual amount of debt service requirements on outstanding bonds during current or any future calendar year, a percentage of mortgage loans receivable under the indenture, or the amount of designated as debt service reserve accounts bonds	—	24,114,840	3,548,789	—	—	27,663,629	26,526,532
Loan Loss Escrow Account-Established to reserve for mortgage loan defaults not covered by the Federal Department of Housing and Urban Development, and shall be maintained at one-half of one percent of the outstanding principal balance of loans purchased	9,885	—	—	—	—	9,885	15,838
Rebate arbitrage account (Hunter's Run)	—	—	18,304	—	—	18,304	16,165
ADFA investment	1,220,659	—	—	—	—	1,220,659	1,196,526
Earn Out account (Indiana Affordable Housing, Inc.)	—	—	—	—	—	—	433,398
Federal programs funds	807,454	—	—	—	—	807,454	767,486
	$ 2,479,515	258,620,737	5,118,852	734,174	2,501,359	269,454,637	243,006,157

(Continued)

	December 31, 2001							
		General Fund	Single Family Mortgage Program Fund	GNMA Mortgage Program Fund	Multi-Unit Mortgage Program Fund	First Home Mortgage Program Fund	Working Families Program Fund	Total
Refundable Reservation Fee Escrow Accounts	$	686,672	—	—	—	—	—	686,672
Loan or Bond Proceeds Accounts - Payment of issuance costs and purchase of qualified mortgage loans		—	114,097,811	—	—	—	132,591	114,230,402
Revenue Accounts-Deposit of Program revenues for debt service payments and Program expense disbursements		604,642	92,249,884	—	1,788,567	248,798	1,747,503	96,639,394
Mortgage Reserve Accounts-Payment of expenses incurred in protecting the Authority's interest in mortgage loans, including property repair and improvement		34,663	2,302,145	—	156,936	—	—	2,493,744
Debt Service Reserve Accounts-Equal to the maximum annual amount of debt service requirements on outstanding bonds during current or any future calendar year, a percentage of mortgage loans receivable under the indenture, or the amount of designated as debt service reserve accounts bonds		—	23,080,111	—	3,446,421	—	—	26,526,532
Loan Loss Escrow Account-Established to reserve for mortgage loan defaults not covered by the Federal Department of Housing and Urban Development, and shall be maintained at one-half of one percent of the outstanding principal balance of loans purchased		15,838	—	—	—	—	—	15,838
Rebate arbitrage account (Hunter's Run)		—	—	—	16,165	—	—	16,165
ADFA investment		1,196,526	—	—	—	—	—	1,196,526
Earn Out account (Indiana Affordable Housing, Inc.)		—	—	—	433,398	—	—	433,398
Federal programs funds		767,486	—	—	—	—	—	767,486
	$	3,305,827	231,729,951	—	5,841,487	248,798	1,880,094	243,006,157

(Continued)

(4) Cash and Investments

A summary of cash and investments as of December 31, 2002 and 2001 follows:

		2002			
		Category 1	**Category 3**	**Total Fair Value**	**Cost**
Cash and collateralized repurchase agreements	$	25,794,378	3,618,868	29,413,246	29,413,246
Certificates of deposit		920,473	—	920,473	920,473
U.S. Treasury Bonds and Notes		14,440,387	—	14,440,387	10,798,700
Federal agency obligations		71,773,659	—	71,773,659	69,728,100
Guaranteed investment contracts and other		205,803,975	—	205,803,975	205,803,975
	$	318,732,872	3,618,868	322,351,740	316,664,494

		2001			
		Category 1	**Category 3**	**Total Fair Value**	**Cost**
Cash and collateralized repurchase agreements	$	33,011,671	4,926,649	37,938,320	37,938,320
Certificates of deposit		800,000	—	800,000	800,000
U.S. Treasury Bonds and Notes		14,083,655	—	14,083,655	11,548,245
Federal agency obligations		57,240,935	—	57,240,935	55,581,964
Guaranteed investment contracts and other		177,745,809	—	177,745,809	177,745,809
	$	282,882,070	4,926,649	287,808,719	283,614,338

The Authority’s cash and collateralized repurchase agreements are insured in full by the combination of Federal deposit insurance and the Indiana Public Deposit Insurance Fund. The Authority's investments are categorized by the level of custodial credit risk assumed. Category 1 includes investments insured or registered or held by the entity, its agent or its trustee in the Authority's name. Category 3 includes bank balances that are not collateralized or insured but are held by the Authority's banks. The Bond Indentures permit investments in the direct obligations of, or obligations guaranteed by, the United States of America, obligations issued by certain agencies of the Federal government, and investments collateralized by those types of investments. At December 31, 2002 and 2001, all investments held by the Authority were in compliance with the requirements of the Indentures.

(Continued)

(5) Mortgage Loans Receivable

The Single Family Mortgage Program requires that mortgage loans shall be made to borrowers whose adjusted family income does not exceed 125% of the median income for the borrower's geographic area. At least 40% of the mortgage loans purchased by the Authority must be loans to borrowers whose income is below 80% of the median income for the borrower's geographic area. In addition, Section 103A of the Internal Revenue Code specifies certain requirements with respect to the nature of the residence, mortgage and eligibility of the borrower.

The Single Family Mortgage Program Bond Trust Indenture requires that all mortgage loans be insured by the FHA, VA or, if the loan to value ratio is greater than 80%, by an approved private mortgage insurer.

The Indenture also requires pool insurance ranging from 10% to 25% of the initial principal amount of mortgage loans to be purchased. The Authority has obtained mortgage pool insurance covering net losses on all mortgage loans financed from the proceeds of the 1980 through 1987 Single Family Mortgage Program bonds.

The proceeds of the 1992 through 2002 Single Family and Working Family bonds were used to purchase GNMA and FNMA certificates collateralized by mortgage loans approved under the guidelines of the Single Family Mortgage Program.

All of the mortgages in the Multi-Unit Mortgage Program Fund except Cumberland Crossing and Indiana Affordable Housing are insured by the FHA. The mortgages are insured under the FHA 221 (d) (4) program. The bonds in the Cumberland Crossing Series are secured by two letters of credit. The mortgage in the Indiana Affordable Housing Series is secured by FNMA under a credit facility. Pursuant to the credit agreement with FNMA, this mortgage was paid off in 2002 as a result of foreclosure.

Mortgage loans which collateralize the FNMA certificates purchased by the Authority under the First Home Mortgage Program requires that the loans be made to first-time home owners and meet the standard requirements for FNMA underwritten mortgages, as well as U.S. Department of Housing and Urban Development (HUD) guidelines.

The financing periods of the mortgage loans financed through the Single Family, First Home, and Working Families Mortgage Programs vary in duration from twenty-five to thirty years (principally thirty years). The financing rates at December 31, 2002, are as follows:

Single Family Mortgage Program	Mortgage Rate	Certificate Rate
1985 Series B	6.875% to 13.880%	
1987 Series C	8.950% to 9.470%	
1992 Series A	7.875% to 13.875%	6.775% to 6.900%
1995 Series A	7.440% to 7.540%	6.935% to 6.940%
1995 Series B	6.750% to 9.940%	6.245% to 6.250%
1995 Series C	6.650% to 10.700%	6.135% to 6.150%
1996 Series A	7.150% to 7.250%	6.625% to 6.650%
1996 Series D	6.250% to 9.940%	5.750% to 6.650%
1997 Series A	6.250% to 8.500%	5.750% to 6.400%
1997 Series B	6.000% to 7.375%	5.415% to 6.875%

Single Family Mortgage Program	**Mortgage Rate**	**Certificate Rate**
1997 Series C	6.250% to 7.310%	5.750% to 6.760%
1997 Series D	6.875% to 7.250%	6.250% to 6.700%
1998 Series A	6.000% to 7.500%	5.415% to 7.000%
1998 Series B	6.500% to 7.540%	5.915% to 7.000%
1998 Series C	6.000% to 7.500%	5.415% to 7.000%
1998 Series D	6.000% to 8.900%	5.415% to 6.250%
1999 Series A	6.000% to 7.750%	5.415% to 7.250%
1999 Series X	6.000% to 8.900%	5.415% to 8.400%
1999 Series Y	6.000% to 8.900%	5.415% to 8.400%
1999 Series Z	6.000% to 7.790%	5.415% to 7.250%
2000 Series A	6.500% to 8.000%	6.000% to 7.500%
2000 Series B	6.000% to 8.350%	5.500% to 7.850%
2000 Series C	6.500% to 8.350%	5.915% to 7.850%
2000 Series D	6.250% to 8.500%	5.665% to 8.040%
2001 Series A	6.500% to 8.000%	5.915% to 7.415%
2001 Series B	6.250% to 7.500%	5.665% to 7.000%
2001 Series C	6.250% to 6.500%	5.665% to 6.000%
2002 Series A	6.000% to 7.250%	5.500% to 6.750%
2002 Series B	6.250% to 7.500%	5.665% to 6.915%
2002 Series C	5.750% to 6.500%	5.250% to 5.915%

First Home Program	**Mortgage Rate**	**Certificate Rate**
1994 Series A	6.75% to 6.90%	6.13% to 6.28%
1994 Series B	6.75%	6.13%
1994 Series C	6.65%	6.03%
1994 Series D	6.65% to 6.80%	6.03% to 6.18%

Working Families Program Fund	**Mortgage Rate**	**Certificate Rate**
1994 Series D	7.380% to 7.480%	6.855% to 6.88%
1996 Series B	7.380% to 7.480%	6.855% to 6.88%

GNMA and FNMA certificates, which are included in the mortgage loan receivable balances are presented in the statement of net assets at fair value in accordance with the requirements of GASB Statement No. 31. The table below summarizes the fair value and cost of the GNMA and FNMA certificates included in mortgage loans receivable.

		2002	
		Fair Value	**Cost**
General Fund	$	2,629,529	2,629,529
Single Family Mortgage Program Fund		802,096,327	768,718,709
Multi-Unit Mortgage Program Fund		22,807,386	22,807,386
First Home Mortgage Program Fund		8,609,568	8,164,885
Working Families Program Fund		25,888,487	24,562,396
Total	$	862,031,297	826,882,905

		2001	
		Fair Value	**Cost**
General Fund	$	3,498,578	3,498,578
Single Family Mortgage Program Fund		749,703,341	748,754,131
Multi-Unit Mortgage Program Fund		39,389,228	39,389,228
First Home Mortgage Program Fund		10,697,281	10,622,790
Working Families Program Fund		33,614,139	32,989,900
Total	$	836,902,567	835,254,627

(Continued)

(6) Bonds Payable

Bonds payable at December 31, 2002 and 2001 consist of (dollars in thousands):

Single Family Mortgage Program Fund	Original Amount	Balance 2002	Balance 2001
1992 A Refunding:			
Serial bonds (6.35%), due 2002	$ 17,740	—	845
Term bonds (6.60%), due 2005	8,775	5,610	5,610
Term bonds (6.75%), due 2009	16,885	10,780	10,780
Term bonds (6.80%), due 2016	38,745	24,725	24,725
	82,145	41,115	41,960
1995 Series A:			
Serial bonds (5.40% to 6.00%), due 2003 – 2008	7,095	2,395	3,680
Term bonds (6.45%), due 2014	5,075	3,165	4,215
Term bonds (6.25%), due 2016	4,230	2,640	3,515
Term bonds (6.10%), due 2025	6,000	—	—
Term bonds (6.60%), due 2026	12,600	7,865	10,465
	35,000	16,065	21,875
1995 Series B:			
Serial bonds (5.10% to 5.75%), due 2002 – 2008	12,725	3,415	4,815
Term bonds (6.125%), due 2014	8,285	4,105	5,035
Term bonds (6.15%), due 2017	3,825	1,890	2,320
Term bonds (6.30%), due 2020	3,440	1,695	2,080
Term bonds (6.30%), due 2022	3,900	1,945	2,385
Term bonds (6.30%), due 2027	9,760	4,810	5,900
	41,935	17,860	22,535
1995 Series C:			
Serial bonds (4.85% to 5.55%), due 2002 – 2008	10,500	3,800	5,490
Term bonds (5.25%), due 2012	8,680	—	—
Term bonds (5.95%), due 2015	10,475	8,695	10,475
Term bonds (5.80%), due 2026	14,885	2,400	4,360
Term bonds (6.15%), due 2027	15,460	12,830	15,460
	60,000	27,725	35,785
1996 Series A:			
Serial bonds (5.25% to 6.05%), due 2002 – 2010	7,625	2,780	3,995
Term bonds (5.95%), due 2013	2,450	1,690	2,190
Term bonds (6.25%), due 2017	4,965	3,400	4,415
Term bonds (5.55%), due 2020	4,960	—	—
Term bonds (6.25%), due 2028	15,000	10,305	13,375
	35,000	18,175	23,975

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
1996 Series D:			
Serial bonds (4.90% to 5.55%), due 2002 – 2008	8,525	2,790	4,100
Term bonds (6.05%), due 2015	6,890	4,765	5,835
Term bonds (6.35%), due 2021	10,015	6,905	8,450
Term bonds (6.35%), due 2025	8,710	6,005	7,350
Term bonds (5.70%), due 2028	7,045	1,195	2,420
	41,185	21,660	28,155
1997 Series A-1:			
Term bonds (5.10%), due 2016	8,870	4,945	5,910
	8,870	4,945	5,910
1997 Series A-2:			
Serial bonds (4.70% to 5.40%), due 2002 – 2008	7,115	2,745	3,765
Term bonds (6.00%), due 2019	3,710	2,565	3,025
Term bonds (6.10%), due 2022	4,765	3,295	3,885
Term bonds (6.10%), due 2028	10,000	6,890	8,135
	25,590	15,495	18,810
1997 Series B-2:			
Term bonds (6.00%), due 2016	3,025	2,120	2,835
Term bonds (6.125%), due 2026	11,890	8,315	11,135
Term bonds (6.15%), due 2029	5,085	3,555	4,765
	20,000	13,990	18,735
1997 Series C-1:			
Taxable term bond (floating rate), due 2027	8,940	245	3,625
	8,940	245	3,625
1997 Series C-2:			
Term bonds (5.70%), due 2016	1,905	1,630	1,735
	1,905	1,630	1,735
1997 Series C-3:			
Serial bonds (4.80% to 5.25%), due 2002 – 2006	1,060	520	695
Term bonds (5.85%), due 2014	4,460	3,820	4,065
Term bonds (5.95%), due 2028	18,635	15,950	16,980
	24,155	20,290	21,740
1997 Series D-1:			
Taxable term bonds (6.94%), due 2019	14,680	5,970	9,770
	14,680	5,970	9,770

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
1997 Series D-2:			
Term bonds (5.85%), due 2020	960	960	960
Term bonds (5.875%), due 2024	6,450	6,450	6,450
Term bonds (5.90%), due 2026	4,840	4,840	4,840
Term bonds (5.90%), due 2030	8,070	8,070	8,070
	20,320	20,320	20,320
1998 Series A-1:			
Taxable term bonds (6.18%), due 2029	7,035	3,555	4,635
	7,035	3,555	4,635
1998 Series A-2:			
Serial bonds (4.85% to 4.95%), due 2010 – 2011	875	755	835
Term bonds (5.15%), due 2017	5,625	4,865	5,365
	6,500	5,620	6,200
1998 Series A-3:			
Serial bonds (4.30% to 5.05%), due 2002 – 2010	4,665	3,165	3,800
Term bonds (5.375%), due 2022	7,000	6,060	6,685
Term bonds (5.375%), due 2029	9,800	8,480	9,355
	21,465	17,705	19,840
1998 Series B-1:			
Taxable term bonds (6.45%), due 2029	15,000	9,135	11,005
	15,000	9,135	11,005
1998 Series B-2:			
Term bonds (5.40%), due 2016	4,285	3,170	3,675
	4,285	3,170	3,675
1998 Series B-3:			
Serial bonds (4.60% to 5.20%), due 2002 – 2010	3,035	1,815	2,260
Term bonds (5.55%), due 2024	8,860	6,555	7,595
Term bonds (5.55%), due 2030	10,000	7,335	8,495
	21,895	15,705	18,350
1998 Series C-1:			
Taxable term bonds (6.07%), due 2025	7,300	3,395	4,760
	7,300	3,395	4,760
1998 Series C-2:			
Term bonds (5.25%), due 2017	3,710	3,020	3,450
	3,710	3,020	3,450

(Continued)

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
1998 Series C-3:			
Serial bonds (4.25% to 5.15%), due 2002 – 2011	4,730	3,190	3,880
Term bonds (5.30%), due 2013	1,655	1,350	1,540
Term bonds (5.45%), due 2028	270	225	255
Term bonds (4.75%), due 2028	5,000	2,695	3,445
Term bonds (5.45%), due 2029	13,425	10,955	12,525
	25,080	18,415	21,645
1998 Series D-1:			
Term bonds (5.15%), due 2017	3,710	2,845	3,280
	3,710	2,845	3,280
1998 Series D-2:			
Serial bonds (4.00% to 4.90%), due 2002 – 2010	3,720	2,380	3,020
Term bonds (5.25%), due 2028	10,000	10,000	10,000
Term bonds (5.35%), due 2028	145	55	65
Term bonds (4.625%), due 2030	13,000	6,815	8,755
Term bonds (5.35%), due 2030	4,195	3,215	3,710
	31,060	22,465	25,550
1999 Series A-1:			
Term bonds (5.05%), due 2017	4,280	3,450	4,220
	4,280	3,450	4,220
1999 Series A-2:			
Serial bonds (3.95% to 5.00%), due 2002 – 2011	5,035	3,585	4,785
Term bonds (5.25%), due 2029	235	190	230
Term bonds (4.70%), due 2029	8,000	5,040	6,560
Term bonds (5.25%), due 2030	17,450	14,050	17,210
	30,720	22,865	28,785
1999 Series X-1:			
PAC bonds (5.96%), due 2030	10,000	6,930	8,430
	10,000	6,930	8,430
1999 Series X-2:			
Serial bonds (3.90% to 5.00%), due 2002 – 2012	2,725	1,915	2,640
Term bonds (5.15%), due 2019	4,900	3,645	4,825
Term bonds (4.55%), due 2030	9,000	4,760	5,910
Term bonds (5.30%), due 2031	15,035	11,160	14,765
	31,660	21,480	28,140

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
1999 Series Y-1:			
PAC bonds (6.86%), due 2031	15,000	10,925	13,020
	15,000	10,925	13,020
1999 Series Y-2:			
Term bonds (5.35%), due 2013	1,290	910	1,240
Term bonds (5.50%), due 2019	4,655	3,265	4,480
	5,945	4,175	5,720
1999 Series Y-3:			
Serial bonds (4.25% to 5.35%), due 2002 - 2012	2,955	2,020	2,850
PAC bonds (5.05%), due 2030	7,650	4,725	5,990
Term bonds (5.65%), due 2031	14,635	10,265	14,095
	25,240	17,010	22,935
1999 Series Z-1:			
PAC bonds (7.09%), due 2029	13,000	9,845	11,630
	13,000	9,845	11,630
1999 Series Z-2:			
Term bonds (5.55%), due 2013	545	270	540
	545	270	540
1999 Series Z-3:			
Serial bonds (4.50% to 5.70%), due 2002 - 2012	2,710	1,825	2,655
Term bonds (5.95%), due 2019	3,475	1,715	3,440
Term bonds (5.65%), due 2030	5,040	4,215	4,665
Term bonds (6.05%), due 2030	13,165	6,505	13,025
Term bonds (6.05%), due 2031	1,780	880	1,760
	26,170	15,140	25,545
2000 Series A-1:			
PAC bonds (7.75%), due 2030	15,000	13,050	14,495
	15,000	13,050	14,495
2000 Series A-2:			
Term bonds (6.25%), due 2019	4,430	1,015	4,140
	4,430	1,015	4,140

(Continued)

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
2000 Series A-3:			
Serial bonds (4.85% to 5.80%), due 2002 - 2010	1,930	415	1,805
Term bonds (6.45%), due 2030	13,220	3,040	12,355
PAC bonds (5.90%), due 2030	5,420	5,075	5,370
	20,570	8,530	19,530
2000 Series B-1:			
PAC bonds (7.57%), due 2030	15,000	12,325	14,110
	15,000	12,325	14,110
2000 Series B-2:			
Serial bonds (4.90% to 5.65%), due 2002 - 2012	4,815	2,605	4,355
Terms bonds (6.00%), due 2019	5,880	3,465	5,440
Terms bonds (6.10%), due 2030	15,000	8,825	13,870
Terms bonds (6.10%), due 2031	4,700	2,765	4,345
PAC bonds (5.55%), due 2031	10,950	7,375	8,645
	41,345	25,035	36,655
2000 Series C-1:			
PAC bonds (7.85%), due 2031	15,000	13,295	14,605
	15,000	13,295	14,605
2000 Series C-2:			
Term bonds (5.875%), due 2017	9,440	4,955	8,815
	9,440	4,955	8,815
2000 Series C-3:			
Serial bonds (5.10% to 5.60%), due 2002 - 2009	2,385	1,070	2,075
Term bonds (5.45%), due 2009	2,615	1,110	2,160
Term bonds (6.125%), due 2019	1,725	905	1,610
PAC bonds (5.65%), due 2030	11,000	7,895	9,175
Term bonds (6.30%), due 2030	5,000	2,625	4,670
Term bonds (6.30%), due 2031	10,265	5,390	9,585
	32,990	18,995	29,275
2000 Series D-1:			
PAC bonds (7.34%), due 2030	15,000	13,615	14,815
	15,000	13,615	14,815

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
2000 Series D-2:			
Serial bonds (4.75% to 5.15%), due 2007 - 2012	3,700	2,840	3,390
Term bonds (5.625%), due 2017	5,795	3,805	5,150
	9,495	6,645	8,540
2000 Series D-3:			
Serial bonds (4.75% to 5.15%), due 2002 - 2007	2,355	1,365	1,995
Term bonds (5.95%), due 2026	8,160	5,360	7,255
PAC bonds (5.35%), due 2031	10,000	7,380	8,620
Term bonds (5.95%), due 2032	9,790	6,430	8,705
	30,305	20,535	26,575
2001 Series A-1:			
Term bonds (5.35%), due 2019	2,045	1,955	2,045
	2,045	1,955	2,045
2001 Series A-2:			
Serial bonds (3.75% to 5.15%), due 2003 - 2013	5,895	5,615	5,895
Term bonds (5.60%), due 2021	4,085	3,910	4,085
Term bonds (5.70%), due 2031	7,695	7,365	7,695
PAC bonds (4.80%), due 2031	7,600	6,970	7,550
Term bonds (5.70%), due 2032	7,680	7,355	7,680
	32,955	31,215	32,905
2001 Series B-1:			
PAC bonds (6.15%), due 2033	10,000	9,420	10,000
	10,000	9,420	10,000
2001 Series B-2:			
Serial bonds (4.15% to 4.70%), due 2007 - 2012	2,465	2,360	2,465
	2,465	2,360	2,465
2001 Series B-3:			
Serial bonds (3.80% to 4.30%), due 2004 - 2007	1,335	1,275	1,335
Term bonds (5.45%), due 2020	2,500	2,390	2,500
Term bonds (5.45%), due 2021	4,480	4,290	4,480
Term bonds (5.55%), due 2032	8,220	7,865	8,220
Term bonds (5.55%), due 2033	11,000	10,530	11,000
	27,535	26,350	27,535

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
2001 Series C:			
Serial bonds (2.75% to 4.75%), due 2003 - 2012	6,965	6,915	6,965
Term bonds (5.25%), due 2021	8,090	8,025	8,090
PAC bonds (4.30%), due 2031	8,785	8,410	8,785
Term bonds (5.375%), due 2031	16,160	16,040	16,160
	40,000	39,390	40,000
2001 Series D-1:			
Term bonds (1.90%), due 2013	2,235	—	2,235
	2,235	—	2,235
2001 Series D-2:			
Term bonds (1.95%), due 2034	43,455	—	43,455
2002 Series A:			
Serial bonds (2.55% to 5.00%), due 2004 - 2014	7,510	7,455	—
Term bonds (5.30%), due 2022	6,340	6,260	—
Term bonds (5.35%), due 2027	5,845	5,845	—
Term bonds (5.45%), due 2032	5,000	4,935	—
Term bonds (5.45%), due 2033	5,305	5,235	—
PAC bonds (4.50%), due 2032	10,000	9,965	—
	40,000	39,695	—
2002 Series B:			
Serial bonds (2.80% to 4.70%), due 2003 - 2012	6,930	6,930	—
Term bonds (5.45%), due 2021	3,000	3,000	—
Term bonds (5.45%), due 2022	5,435	5,435	—
Term bonds (5.55%), due 2031	4,000	4,000	—
Term bonds (5.55%), due 2032	10,310	10,310	—
PAC bonds (4.50%), due 2031	10,325	10,305	—
	40,000	39,980	—
2002 Series C-1:			
Serial bonds (4.00% to 4.30%), due 2019 due 2010 - 2013	2,235	2,235	—
	2,235	2,235	—
2002 Series C.-2:			
Serial bonds (2.40% to 4.85%), due 2004 - 2014	6,410	6,410	—
Term bonds (5.25%), due 2023	7,815	7,815	—
Term bonds (5.40%), due 2029	9,625	9,625	—
PAC bonds (4.15%), due 2032	11,860	11,850	—
Term bonds (5.40%), due 2033	7,745	7,745	—
	43,455	43,445	—

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
2002 Series D-1:			
Taxable term bond (floating rate), due 2032	5,000	5,000	—
	5,000	5,000	—
2002 Series D-2:			
Serial bonds (1.90% to 4.05%), due 2003 - 2012	9,105	9,105	—
Term bonds (4.85%), due 2022	5,900	5,900	—
Term bonds (4.85%), due 2022	2,500	2,500	—
Term bonds (4.95%), due 2032	5,560	5,560	—
PAC bonds (3.60%), due 2031	11,435	11,435	—
Term bonds (4.95%), due 2032	5,500	5,500	—
	40,000	40,000	—
2002 Series E-1:			
Term bonds (1.35%), due 2017	12,945	12,945	—
2002 Series E-2:			
Term bonds (1.40%), due 2033	66,260	66,260	—
	$ 1,348,485	940,850	898,480

Multi-Unit Mortgage Program Fund	Original Amount	Balance 2002	Balance 2001
1983 Series A:			
Term bonds (9.125%), due 2002	$ 300	—	15
Term bonds (9.375%), due 2024	1,720	—	370
	2,020	—	385
1993 Series A:			
Serial Bonds (6.20% to 6.30%), due 2002 – 2003	2,185	195	375
Term bonds (6.60%), due 2011	2,075	2,075	2,075
Term bonds (6.75%), due 2021	4,665	4,665	4,665
	8,925	6,935	7,115
1992 Hunter's Run:			
Term bonds (7.0%), due 2003	400	45	95
Term bonds (7.25%), due 2018	1,500	1,500	1,500
Term bonds (7.35%), due 2033	5,330	5,330	5,330
	7,230	6,875	6,925
1997 Series M-A (Cumberland Crossing):			
Term bonds (adjustable rate), due 2028	9,200	8,924	9,062
	9,200	8,924	9,062

Bonds payable, continued		**Original Amount**	**Balance 2002**	**Balance 2001**
1997 Series M-B (Cumberland Crossing):				
Term bonds (adjustable rate), due 2028		800	776	788
		800	776	788
1999 Series A (Indiana Affordable Housing):				
Term bonds (5.40%), due 2009		1,400	—	1,400
Term bonds (6.10%), due 2020		5,500	—	5,500
Term bonds (6.20%), due 2030		10,430	—	10,430
		17,330	—	17,330
1999 Series B (Indiana Affordable Housing):				
Term bonds (6.88%), due 2004		860	—	585
		860	—	585
	$	46,365	23,510	42,190

First Home Mortgage Program Fund		**Original Amount**	**Balance 2002**	**Balance 2001**
1994 Series A:				
Serial bonds (5.26% to 5.81%), due 2002 – 2008	$	1,165	340	455
Term bonds (5.96%), due 2014		1,015	520	590
Term bonds (6.06%), due 2020		1,430	725	830
Term bonds (6.11%), due 2025		1,430	670	760
		5,040	2,255	2,635
1994 Series B:				
Serial bonds (5.08% to 5.68%), due 2002 – 2008		1,165	315	455
Term bonds (5.88%), due 2014		1,015	500	610
Term bonds (5.93%), due 2020		1,430	635	770
Term bonds (5.98%), due 2025		1,430	600	730
		5,040	2,050	2,565
1994 Series C:				
Serial bonds (4.76% to 5.46%), due 2002 – 2008		1,165	355	515
Term bonds (5.71%), due 2014		1,015	535	660
Term bonds (5.81%), due 2020		1,455	695	865
Term bonds (5.86%), due 2025		1,430	645	800
		5,065	2,230	2,840

Bonds payable, continued	Original Amount	Balance 2002	Balance 2001
1994 Series D:			
Serial bonds (5.24% to 5.64%), due 2002 – 2008	1,165	330	470
Term bonds (5.84%), due 2014	1,015	540	650
Term bonds (5.94%), due 2020	1,455	680	820
Term bonds (5.94%), due 2025	1,430	610	735
	5,065	2,160	2,675
	$ 20,210	8,695	10,715

Working Families Program Fund	Original Amount	Balance 2002	Balance 2001
1994 Series D:			
Term bonds (3.90%), due 1996	$ 31,265	—	—
Term bonds (5.60%), due 2009	—	—	70
Term bonds (6.35%), due 2017	—	9,765	12,110
	31,265	9,765	12,180
1996 Series B:			
Serial bonds (5.15% to 5.35%), due 2002 – 2004	3,225	410	915
Term bonds (5.80%), due 2020	6,220	1,790	2,730
Term bonds (6.45%), due 2025	13,835	8,185	10,880
Term bonds (6.45%), due 2027	7,500	4,430	5,895
	30,780	14,815	20,420
	$ 62,045	24,580	32,600

The Single Family, Multi-Unit, First Home and Working Families bonds are special obligations of the Authority. The bonds are payable solely from the revenues and assets pledged to the payment thereof pursuant to the Bond Trust Indentures. Hunters Run, Cumberland Crossing, and Indiana Affordable Housing, three bond series within the Multi-Unit Mortgage Program Fund, are conduit issues. All scheduled, advance and delinquent payments on mortgage loans, mortgage insurance and guaranty proceeds received by the Authority, and the earnings on investments of amounts held under the Bond Trust Indentures are pledged to secure the payment of these three bond series. The three bond series are also secured by a pledge and assignment of the rights and interests of the Authority in the mortgage loans and a pledge of the investment accounts of the program fund and the amounts of which are prescribed by the Trust Indentures. Pursuant to a credit agreement with FNMA, the Indiana Affordable Housing bond series was paid off in 2002 as a result of foreclosure.

The 1997 Series C, 1997 Series D, 1998 Series A, 1998 Series B, 1998 Series C, 1999 Series X, 1999 Series Y, 1999 Series Z, 2000 Series A, 2000 Series B, 2000 Series C, 2000 Series D, 2001 Series B and 2002 Series D include both taxable and tax-exempt bonds. Taxable bonds were utilized to increase resources for the Authority’s mortgage program.

The 1997 Series C-1 are floating rate bonds. The interest rate is the three-month LIBOR plus .25% (1.63% at December 31, 2002) adjusted on the second business day preceding the beginning of each calendar quarter. The General Fund purchased an interest rate cap to protect the rate from exceeding 8.0%.

The 2002 Series D-1 are floating rate bonds. The interest rate is the three-month LIBOR plus .28% (1.66% at December 31, 2002) adjusted on the second business day preceding the beginning of each calendar quarter. The General Fund purchased an interest rate cap to protect the rate from exceeding 7.0%.

The 1997 Series M-A and 1997 Series M-B Bonds have an adjustable rate that is currently remarketed on a weekly basis.

The 2001 Series D bonds were refunded with the issuance of 2002 Series C.

The Single Family, Multi-Unit, First Home and Working Families bonds are subject to optional redemption provisions at various dates at prices ranging from 100 to 103 percent of the principal amount, extraordinary optional redemption at par from unexpended or uncommitted funds, prepayments of mortgage loans and proportionate amounts in certain related accounts or excess revenues. The Authority redeemed $164,580,000 and $65,580,000 of bonds in 2002 and 2001, respectively, from prepayments which had been received. The bond redemptions resulted in write-offs of unamortized discount and deferred debt issuance costs related to the redeemed bonds.

The following are the scheduled amounts of principal and interest payments in the five years subsequent to December 31, 2002 and thereafter (all amounts in the thousands). The Authority typically has significant prepayments of principal amounts and therefore does not expect to pay out interest payments in their scheduled amounts.

		Single Family Mortgage Program Fund		Multi-Unit Mortgage Program Fund		First Home Program Fund		Working Families Program Fund		Total		Total
		Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest	Payments
2003	$	13,125	49,945	327	1,394	240	506	270	1,556	13,962	53,401	67,363
2004		15,165	48,767	366	1,374	245	493	140	1,541	15,916	52,175	68,091
2005		15,830	47,980	391	1,352	245	480	—	1,538	16,466	51,350	67,816
2006		16,640	47,133	422	1,328	240	466	—	1,538	17,302	50,465	67,767
2007		17,845	46,219	454	1,302	250	453	—	1,538	18,549	49,512	68,061
2008-2012		109,795	214,394	2,858	6,052	1,570	2,013	3,600	7,362	117,823	229,821	347,644
2013-2017		151,605	179,031	4,216	5,034	1,995	1,514	6,440	5,614	164,256	191,193	355,449
2018-2022		160,375	136,698	5,609	3,540	2,505	849	5,390	3,960	173,879	145,047	318,926
2023-2027		207,920	84,419	5,366	2,071	1,405	125	8,740	1,467	223,431	88,082	311,513
2028-2032		161,815	26,215	2,591	801	—	—	—	—	164,406	27,016	191,422
2033-2037		70,735	1,051	910	58	—	—	—	—	71,645	1,109	72,754
Original issue discount		(56)	—	(75)	—	—	—	—	—	(131)	—	(131)
Total	$	940,794	881,852	23,435	24,306	8,695	6,899	24,580	26,114	997,504	939,171	1,936,675

Summary of long-term debt as of December 31, 2002 (dollars in thousands):

Interest rate ranges	Maturity range	Annual payment range of principal	Amount
1.35% – 7.75%	2003 – 2033	$13,962 – $76,530	$997,635

Changes in Obligations

The following are changes in the obligations of the Authority for the year ended December 31, 2002.

Short-term obligations (in thousands):

		Balance at December 31, 2001	Borrowings	Repayments	Balance at December 31, 2002
Line of credit	$	—	29,720	29,720	—

Long-term obligations (in thousands):

		Balance at December 31, 2001	Increases	Decreases	Balance at December 31, 2002	Amounts due within one year	Amounts due thereafter
Bonds payable/notes payable	$	983,985	249,895	236,245	997,635	13,962	983,673
Less original discount		(148)	—	(17)	(131)	—	(131)
Other liabilities		759	193	—	952	—	952
	$	984,596	250,088	236,228	998,456	13,962	984,494

		Balance at December 31, 2000	Increases	Decreases	Balance at December 31, 2001	Amounts due within one year	Amounts due thereafter
Bonds payable/notes payable	$	912,018	160,690	88,723	983,985	12,545	971,440
Less original discount		(163)	—	(15)	(148)	—	(148)
Other liabilities		394	365	—	759	—	759
	$	912,249	161,055	88,708	984,596	12,545	972,051

Collateralized Bank Loans

During 1996, the Authority used one new bank loan to redeem all of the bonds from the General Fund Collateralized Mortgage Obligation Series A. This loan was paid in full during 2001 and no other bank debt existed at December 31, 2002.

(7) Commitments

As of December 31, 2002 the Authority had the following commitments:

Lease

Lease expense for 2002 and 2001, was $237,705 and $233,798, respectively. The Authority entered into a lease agreement for new office space in February 2003. The Authority paid $124,020 in December 2002 for termination of its existing office lease. The new lease requires payments of $29,464 per month ($353,568 per year) for the ten-year term of the lease. The move to the new office space is expected during April 2003. In 2003, the Authority expects to pay three months of rent under the old lease and nine months of rent under the new lease for a total of $327,021.

Excess Investment Earnings

In order to preserve the exemption of federal and state income taxation on interest received by the bond holders, each bond issue is subject to certain Internal Revenue Code (IRC) and U.S. Treasury Regulations. Under these regulations, the Authority is required to pay the federal government any excess earnings as defined by IRC Section 148(f) on all nonpurpose investments if such investments were invested at a rate greater than the yield on the bond issue.

The Authority's liability, included in accounts payable and other liabilities on the combined balance sheet, for excess earnings at December 31, follows:

		2002	2001
General Fund	$	—	41,995
Single Family Program Fund		401,517	158,298
Working Families Program Fund		140,430	140,430
	$	541,947	340,723

Distributions

The Authority elected to transfer $1,100,000 to the Low Income Housing Trust Fund and $500,000 to supplement the down payment assistance program in 2001. No such distributions were made in 2002.

(8) Retirement Plan

(a) Plan Description

The Authority contributes to the Indiana Public Employees' Retirement Fund (PERF), an agent multiple-employer retirement system that acts as a common investment and administrative agent for units of state and local government in Indiana. PERF was created and is governed by state statutes I.C.S. 5-10.2 and 5-10.3. As such, it is PERF's responsibility to administer the law in accordance with the expressed intent of the General Assembly. The plan is qualified under the Internal Revenue Code Section 401(a) and is tax exempt.

The plan is a contributory defined benefit plan which covers substantially all Authority employees. PERF retirement benefits vest after 10 years of service. Effective July 1, 1995, Senate Bill 74 enabled PERF members to be eligible for early retirement with 100% of the defined benefit pension if certain conditions were met. An employee may retire with full benefits at age 60 with 15 or more years of service or at age 55 if the employee's age plus years of service equals 85 or more (Rule of 85). If neither of the above conditions are met, an employee may retire with 100% of the defined pension at age 65 with 10 or more years of service. This annual pension benefit is equal to 1.1% times the average annual salary times the number of years and months of PERF-covered employment. The average annual salary used for calculating the pension benefit is an average of the employee's highest five years of employment earning within the 10 years preceding retirement. Employees who retire between the ages of 50 and 65 with 15 or more years of service receive a pension benefit that is reduced by various percentages according to the member's age.

Employees have two choices regarding their annuity savings account. They may elect to receive the contributions and accumulated earnings in a lump sum at retirement, or, they may choose to receive the annuity amount as a monthly supplement to their employer-provided pension described in the paragraph above.

PERF issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERF, Harrison Building, Suite 800, 143 West Market Street, Indianapolis, Indiana 46204.

(b) Funding Policy

The Authority contributes the employees' required contribution of 3% of their annual salaries to an annuity savings account that may be withdrawn at any time with interest should an employee terminate employment. The Authority is required by state statute to contribute at an actuarially determined rate. The current rate is 5.2% of annual covered payroll. The contribution requirements of plan members are determined by State statute.

(c) Annual Pension Cost

For the 2001 and 2000 plan year, the Authority's annual pension cost of $84,800 and $97,600, respectively, exceeded the required contributions. The PERF funding policy provides for actuarially determined periodic contributions at rates that, for individual employees, increase gradually over time so that sufficient assets will be available to pay benefits when due. The rate for the Authority's employee group as a whole has tended to remain level as a percentage of annual covered payroll. The required contributions were determined as part of the June 30, 2001 and 2000 actuarial valuation using the entry age normal cost method. The asset valuation method is 75% of expected actuarial value plus 25% of market value. The actuarial assumptions included (a) a rate of return on investment of present and future assets of 7.25% per year, compounded annually; (b) projected salary increases of 5.00% per year, attributable to inflation; and (c) assumed annual post retirement benefit increases of 2.00%. PERF uses the level percentage of payroll method to amortize the unfunded liability over a closed 40-year period.

INDIANA HOUSING FINANCE AUTHORITY

Required Pension Supplementary Information

Schedule of Funding Progress and Employer Contributions

December 31, 2002 and 2001

Asset valuation date		(1) Actuarial value of assets	(2) Actuarial accrued liability (AAL) entry age	(2-1) Unfunded (overfunded) AAL (UAAL)	(1/2) Funded ratio		(3) Covered payroll	[(2-1)/3] UAAL as a percentage of covered payroll	Annual pension cost (APC)	Percentage of APC contributed
June 30, 2002*	$	N/A	N/A	N/A	N/A	$	N/A	N/A	N/A	N/A
June 30, 2001		621,000	571,000	(50,000)	109%		1,530,000	—	62,181	136%
June 30, 2000		498,000	432,000	(66,000)	115%		1,158,000	—	97,600	229%

*Information for the June 30, 2002 actuarial valuation is not available.